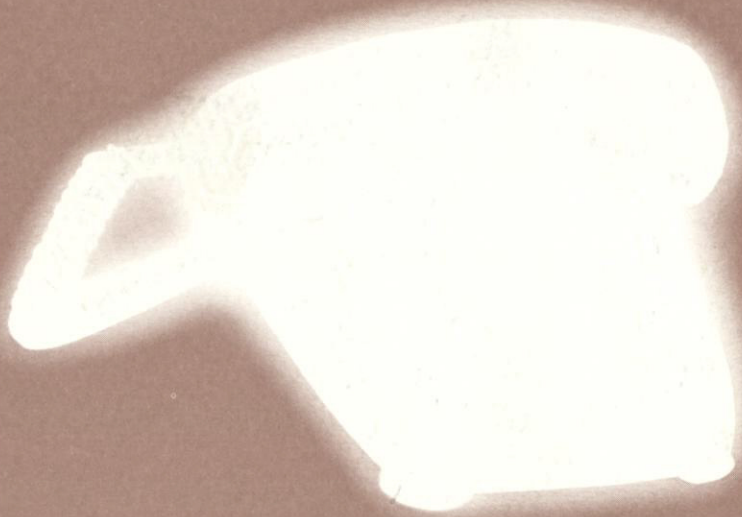


1966

Annual Report



NORTHERN OHIO TELEPHONE COMPANY

Year Ended December 31, 1966

NORTHERN OHIO TELEPHONE COMPANY

Directors

ALLAN G. AIGLER*
*Aigler and Aigler, Attorneys
Bellevue, Ohio*

JOHN A. AIGLER
*General Commercial Superintendent of
the Company, Bellevue, Ohio*

THOMAS A. BOYD
*Retired, Former Vice President-
Finance, General Telephone &
Electronics, Inc., Bronxville, New York*

CHARLES H. CAMPBELL
*The Equitable Life Assurance Society,
Ashland, Ohio*

ROBERT T. CAMPBELL
*The North Electric Manufacturing Co.,
Galion, Ohio*

HERBERT A. ERF*
*The H. A. Erf Acoustical Company,
Shaker Heights, Ohio*

FRANK C. HENRY*
*Partner, Bosworth, Sessions, Herrstrom
and Knowles, Patent Attorneys
Cleveland, Ohio*

WILLIAM C. HENRY*
*President
Norwalk, Ohio*

HERMANN H. THORNTON
Educator, Oberlin, Ohio

FRED W. UHLMAN, JR.
*McDonald & Co.
Bowling Green, Ohio*

JOHN E. WISE*
*President, The Citizens National Bank
of Norwalk, Norwalk, Ohio*

*Member Executive Committee

Officers

ALLAN G. AIGLER
Chairman of the Board

WILLIAM C. HENRY
President

ALLEN W. HUGHES
Operating Vice President

JOHN E. WISE
Vice President

WILLIAM H. TODD
Secretary and Treasurer

JOHN A. AIGLER
*Assistant Secretary and Assistant
Treasurer*

Transfer Agents and Registrars

*Preferred Stock—Office of the Company
Common Stock—Central National Bank
of Cleveland, Cleveland, Ohio*

General Counsel

Aigler and Aigler, Bellevue, Ohio

Special Counsel

*Squire, Sanders and Dempsey,
Cleveland, Ohio
Power, Griffith, Jones and Bell,
Columbus, Ohio*

Independent Auditors

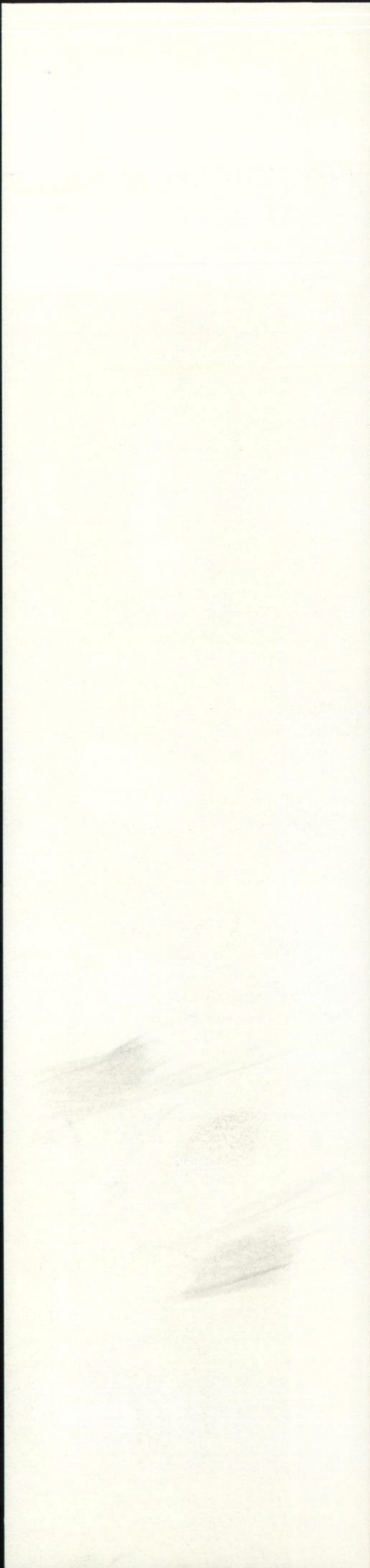
Ernst & Ernst, Cleveland, Ohio

Contents

Officers and Directors	Inside Cover
Comparative Highlights	2
President's Message	3
The Company	4
Service Is Our Business	5
New Service for Changing Needs	6
We Sell Our Service	7
Comparative Balance Sheets	8-9
Comparative Statements of Income	10
Comparative Statements of Other Capital and Retained Income	11
Story of Statistics	12
Looking Ahead	13
Ten Year Financial Review	14-15
Customer Relations	16-17
Area Served—Map	18
Exchanges and Telephones	19

Annual Meeting

The Annual Meeting of Stockholders will be held at 2:00 P.M., E.D.T. Tuesday, May 16, 1967 at the General Office of the Company, 117 North Sandusky Street, Bellevue, Ohio. Formal notices will be mailed to all registered owners of common stock on April 28, 1967, and proxies will be requested.



TYPES OF EQUIPMENT AVAILABLE TO OUR SUBSCRIBERS



COMPARATIVE HIGHLIGHTS OF THE YEAR'S OPERATIONS

	1966	1965	Percent Increase Over 1965
Telephones in Service	157,908	149,350	5.7%
Toll Calls Completed	14,790,829	13,384,180	10.5%
Gross Telephone Plant	\$63,438,104	\$57,582,752	10.2%
Operating Revenues	\$18,407,950	\$16,584,843	11.0%
Operating Expenses	10,247,140	9,267,090	10.6%
Income Before Taxes	7,412,622	6,566,991	12.9%
Net Income Available to Common Stock	3,506,538	2,949,104	18.9%
Earnings Per Share Common Stock	\$1.25	\$1.05*	19.0%
Dividends Paid Per Share Common Stock635	.581 (1)	9.3%
Book Value Per Share Common Stock	\$7.36	\$6.76*	8.9%
Number of Employees	1,013	913	11.0%
Number of Common Shareholders	2,362	2,206	7.1%

*Equated to reflect 1 for 3 stock distribution in 1966.

Note 1—Dividends paid per share in 1965 based on shares outstanding December 31, 1965.

to our stockholders:

The year 1966 was one of record highs. Total revenues, expenses, taxes and net income all were at new levels. Net additions to telephone property and plant exceeded five million dollars for the first time in any one year. The total number of telephones in service increased thru internal growth to 157,908 and the number of completed toll calls was up 10.5 per cent. The total number of employees and the annual wages paid reached a new level. Detailed earnings and balance sheet statements included as a part of this report set forth further specific operating and financial information.

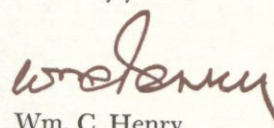
Service to our subscribers was further improved during the year despite an increasing usage and demand that created growth problems at some of our exchanges. Direct Distance Dialing of station-to-station toll calls was made available to our customers at Ashland and its tributary exchanges. A total of 254 toll lines provided by this company as well as those furnished jointly with The Bell Company and circuits for Extended Area Service were placed in service. Three thousand five hundred and fifty-five lines of automatic central office equipment were installed and an increasing number of subscribers were upgraded to one party service. A start has been made in the offering of two party service in lieu of four party service in base rate areas and five party full selective rural service to replace present eight party rural lines in all exchange areas.

Authority has been received from The Federal Communications Commission to operate a Community Antenna Television Station and we are actively engaged in securing a franchise to provide this service in the cities of Galion and Crestline.

DDD station-to-station toll service will be available to all of our subscribers within the next several months with installation of the necessary equipment at Galion-Crestline and the Genoa toll centers. The latest and most modern toll service known as PPCS, which makes it possible for subscribers to dial their own person-to-person, collect and special service long distance calls, will be placed in service in the Galion-Crestline and Bowling Green toll center areas by midyear.

The management of this Company believes that it has three primary responsibilities; (1) the provision of the best possible complete communication service to its subscribers; (2) the maintenance of an adequate level of earnings to safeguard our stockholders investment and provide a favorable basis for securing funds for improvements and additions; and (3) pay wages, train employees and make available job opportunities that will attract and retain good employees. We shall continue to devote our best efforts to these objectives and the challenges they impose.

Sincerely yours,

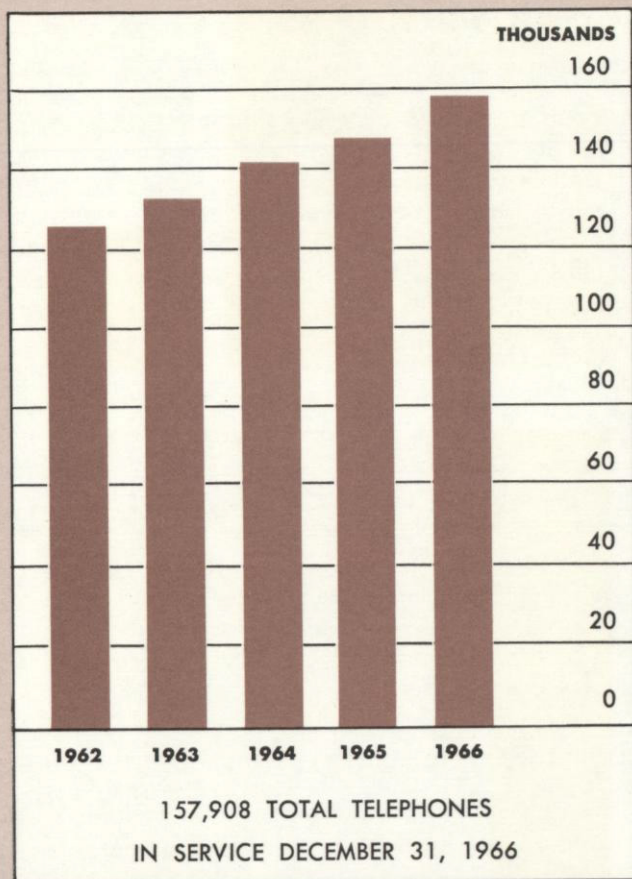


Wm. C. Henry
President

A MESSAGE FROM THE PRESIDENT



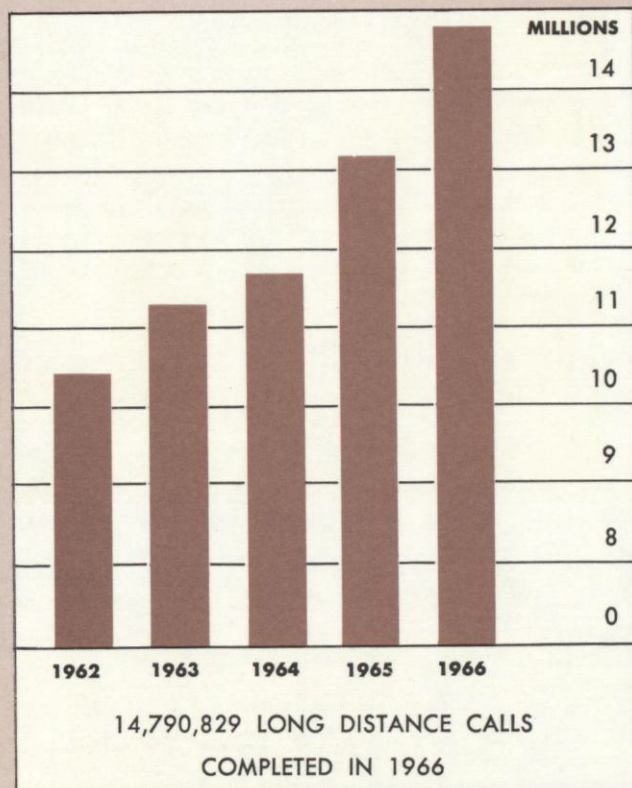
March 10, 1967



THE COMPANY

Northern Ohio Telephone Company is one of the nation's ten largest completely independent telephone operating companies, unaffiliated with any other system. We operate nine toll centers and provide fully automatic or dial service to 157,908 telephones through 68 exchanges located in the northern half of Ohio. We have more than 20,500 circuit miles of our own local company owned toll lines. Direct Distance Dialing of their long distance calls is available to 86 per cent of our subscribers. By the end of 1967 Direct Distance Dialing will be available to all of our customers.

"Stability" and "Growth" are the words that most aptly describe the area in which we operate. To translate the territory's dynamic growth pattern into telephone statistics, the number of telephones added thru internal growth during the past five years was 32,694 or 26.1 per cent. There is every indication that the demand for an upgrading of present party line to individual line service will accelerate and the need for more and for new services will continue in the years ahead.



SERVICE IS OUR BUSINESS

Northern Ohio Telephone Company's objective is to provide the best possible service to all subscribers whenever they pick up their telephone.

In 1966 we took several important steps in this direction. Our Construction Program for the year required an expenditure in the amount of \$6,374,995. Included in this amount was \$134,941.38 for buildings and building additions; \$2,054,938.33 for additional central office equipment including 9 toll switchboard positions and 3,555 new automatic subscriber lines; 166 more Toll Circuits added and 88 EAS Circuits. \$1,768,331.48 was expended for outside plant additions.

Our cable pressurization program which began early in 1966 is being accelerated and within the next several years all toll cables and large feeder cables will be under gas pressure, assuring fewer interruptions in service thru cable failure.

Commercial, Equipment and Plant Training Programs for all of our employees are being conducted regularly throughout the year to assure more efficient operation and better service for our customers.

Direct Distance Dialing was provided in the Ashland District December 11, 1966. Direct Distance Dialing by subscribers of their toll calls is now provided in all but two Toll Centers—Galion and Genoa, and will be introduced in these Toll Centers in 1967.

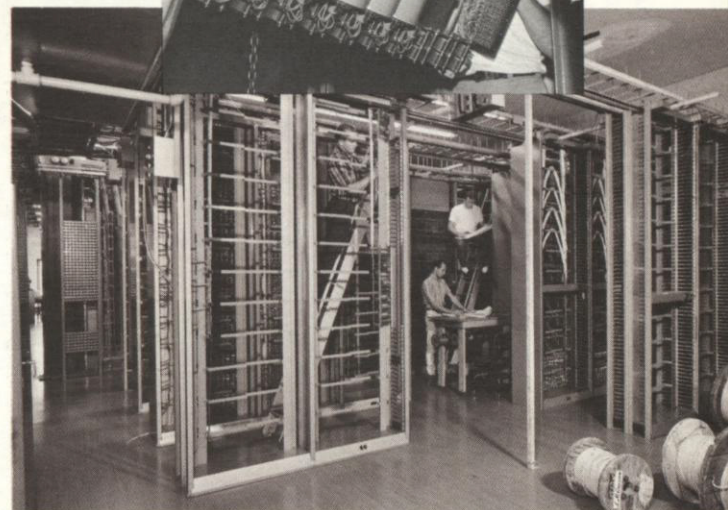
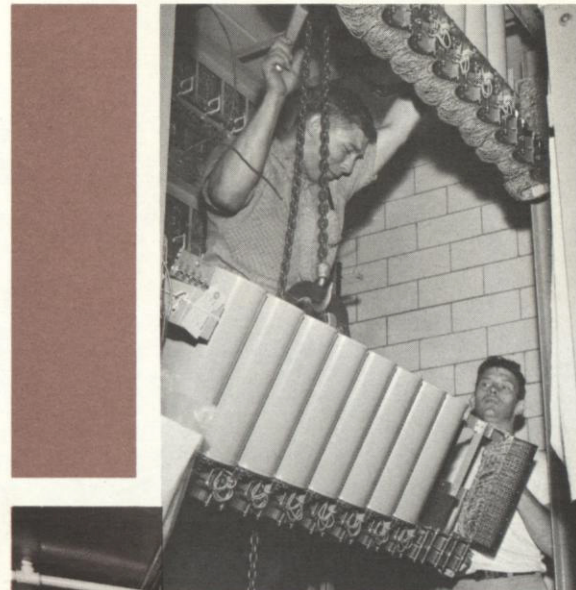
We have increased our efforts to ascertain the type and character of telephone service that will best meet the needs of our subscribers and to provide it when and wherever it is desired.

Service not only improved in 1966; but it also increased. We added 8,558 new telephones, including our 150,000th telephone installed at Huron. We handled a record 14,790,829 long distance calls, up 10.5% from 1965. Our customers dialed to completion almost seven million of these long distance calls, in seven of our toll centers that had DDD service available.

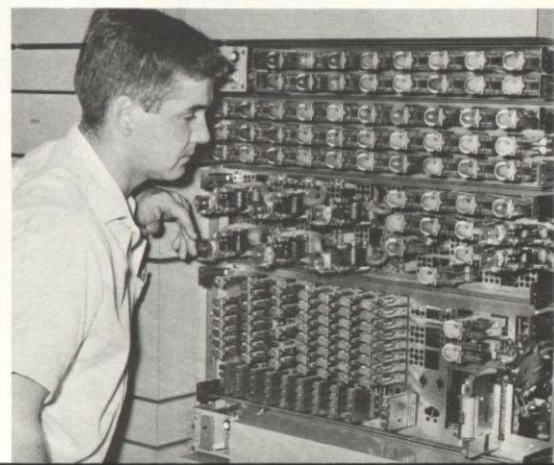


Cable
Pressurization
Equipment
At Oberlin

Switch Shelf Addition At Montrose



Galion Direct Distance Dialing Equipment



DDD Ticketing
Equipment
At Ashland

NEW SERVICE FOR CHANGING NEEDS

There is a constantly growing demand for new and diversified communication services. Not only do people call more often, but they want and use a more sophistic type of special service.

Data service for transmitting printed information at high speed is increasing, key set dial telephones, private line networks, teletype and PABX's providing the most modern communications features are required to meet subscriber demands.

Typical of the major communications installations for our Customers during 1966 were large PABX's placed in service at the Bearfoot Sole Company, Inc. in Wadsworth; the New Holiday Inn at Medina and F. E. Myers and Bros. Company at Ashland. Our Company made it possible for a young man confined to his home at Delaware to attend school by means of the Home-School Service, using special telephone facilities. Cable Television Service, both for educational and for commercial use is being expanded rapidly.

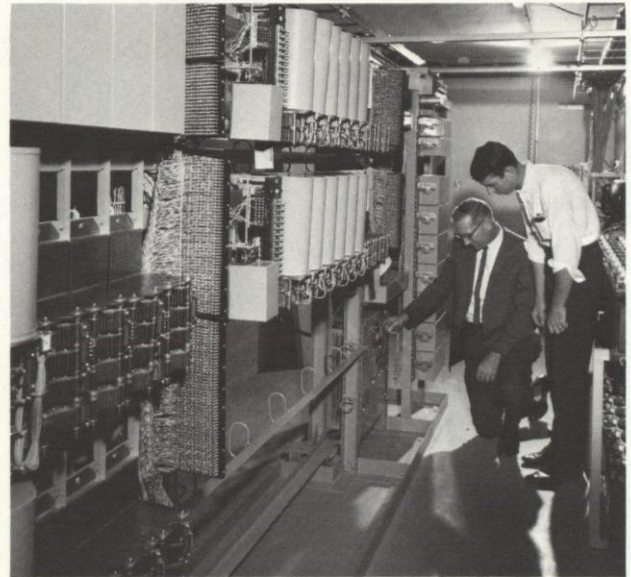
It is our policy to provide new types of service wherever required in order that our subscribers will be furnished complete communication service. We will continue our efforts to provide a full range of the most modern service possible.



Home-School
Service For
Shut-In Student



F. E. Myers Bros. Co., Ashland—New Type 300 PABX



PABX At New Holiday Inn—Medina



Bearfoot Sole Co., Inc. At Wadsworth—Has New PABX



OITA Plaque Presented To Wm. C. Henry For 36 Years Of Service To Telephone Industry

WE SELL OUR SERVICE

We believe it is a part of every employee's duty to be always on the alert to sell the service they help furnish. For many years we have used an Employee Incentive Sales Program with "sales points" convertible into merchandise or money at the year end. The program, designed for the sale of primary service, extensions, regrade to private lines, and telephones in color has been very successful. More than 40 per cent of our Employees participated in this program in 1966. They sold 2,574 extension telephones in addition to other services.

The program is being continued in 1967 and we expect to increase our Employee participation in sales activities.

In addition to our Employee Sales Program we have a Marketing Section of Commercial Engineers, especially trained to provide the special services required by our major accounts. These Sales Engineers analyze the communication requirements of the larger factories, industries, motels, governmental agencies, educational institutions, banks and similar accounts in our area. They are experts in recommending to business organizations the most efficient combination of communications service to fit each particular customers needs.

Revenues and stations gained during the past year give dramatic testimony to the effectiveness of our sales and merchandising programs.

The 150,000th Telephone Installed At Huron





Northern Ohio Telephone Company

COMPARATIVE BALANCE SHEET

ASSETS

	1966	1965
PLANT AND OTHER INVESTMENT		
Telephone plant in service—Notes A and D	\$62,488,473	\$57,330,278
Telephone plant under construction	949,631	252,474
	<u>\$63,438,104</u>	<u>\$57,582,752</u>
Less reserve for depreciation	13,477,757	11,711,393
	<u>\$49,960,347</u>	<u>\$45,871,359</u>
Investment in COMSAT	150,000	150,000
	<u>\$50,110,347</u>	<u>\$46,021,359</u>
CURRENT ASSETS		
Cash	\$ 915,603	\$ 1,734,574
Special cash deposits and working funds	78,733	78,633
Certificates of deposit	259,250	2,176,458
Notes and land contracts receivable	83,909	66,109
Accounts receivable (including estimated unbilled—1966—\$451,678; 1965—\$432,068) less reserve for uncollectible accounts—1966— \$6,947; 1965—\$17,460	2,082,376	1,656,114
Materials and supplies	989,569	634,110
	<u>\$ 4,409,440</u>	<u>\$ 6,345,998</u>
DEFERRED CHARGES		
Prepaid insurance and other expenses	\$ 18,460	\$ 22,612
Discount on funded debt	240,830	250,851
	<u>\$ 259,290</u>	<u>\$ 273,463</u>
	<u>\$54,779,077</u>	<u>\$52,640,820</u>

NOTES TO FINANCIAL STATEMENTS

NOTE A—TELEPHONE PLANT

Telephone plant in service comprises land, buildings, poles, wire, cable, underground conduit, switchboards, telephones, office furniture, vehicles, and tools. Plant is stated at amounts authorized by The Public Utilities Commission of Ohio with respect to acquisitions from other companies, and other additions are included at cost as of dates of installation.

NOTE B—PREFERRED STOCK

The various series of cumulative preferred stock outstanding at December 31, 1966, are as follows:

	AMOUNT
5% Class A (redeemable at \$110 a share): Authorized and outstanding 12,000 shares ..	\$1,200,000
5% Class B (redeemable at \$105 a share): Authorized 56,000 shares; outstanding 33,208 shares	3,320,800
4½% (redeemable at \$105 a share): Authorized and outstanding 20,000 shares ..	2,000,000
4¼% (redeemable at \$105 a share): Authorized and outstanding 12,000 shares ..	1,200,000
TOTAL	<u>\$7,720,800</u>

AT DECEMBER 31, 1966 and 1965

LIABILITIES AND SHAREHOLDERS' EQUITY

	1966	1965
SHAREHOLDERS' EQUITY		
Capital stock:		
Cumulative Preferred Stock—\$100 par value:		
Authorized 100,000 shares; issued and		
outstanding—1966—77,208 shares;		
1965—76,614 shares—Note B	\$ 7,720,800	\$ 7,661,400
Common Stock—\$3.33-1/3 par value—Note C:		
Authorized—6,000,000 shares		
Issued and outstanding—1966—2,807,239		
shares; 1965—2,105,541 shares	9,357,464	7,018,470
Installments paid on capital stock	4,214	5,032
	\$17,082,478	\$14,684,902
Other capital	1,605,789	3,944,783
Retained income—Notes C and D	9,691,573	8,015,305
	\$28,379,840	\$26,644,990
FUNDED DEBT—Note D	18,900,000	18,900,000
CURRENT AND ACCRUED LIABILITIES		
Accounts payable	\$ 1,423,417	\$ 1,206,037
Subscribers' advance billings and payments	315,676	300,170
Taxes—Note E	3,851,550	3,846,562
Unmatured interest and dividends	1,267,432	1,231,649
	\$ 6,858,075	\$ 6,584,418
OTHER DEFERRED CREDIT—Note E	641,162	511,412
	\$54,779,077	\$52,640,820

See notes to financial statements.

NOTE C—STOCK DIVIDEND

On December 23, 1966, the Board of Directors declared a one per cent Common Stock dividend subject to the approval (not yet obtained) of the Public Utilities Commission of Ohio. Record date and payments will occur, respectively, on the tenth and twentieth business day following such approval. The approximate market value of the shares issued and cash paid in lieu of fractional shares will be charged to retained income.

NOTE D—FUNDED DEBT

First Mortgage Bonds outstanding as of December 31, 1966, are as follows:

DUE DATE	INTEREST RATE	AMOUNT
Nov. 1, 1980	27/8%	\$ 1,600,000
Nov. 1, 1982	31/2%	1,800,000
Oct. 1, 1987	51/8%	3,000,000
Dec. 1, 1988	47/8%	3,000,000
Sept. 1, 1991	47/8%	3,500,000
Oct. 1, 1993	41/2%	6,000,000
	TOTAL	\$18,900,000



COMPARATIVE STATEMENTS OF INCOME

YEAR ENDED DECEMBER 31, 1966 and 1965

	1966	1965
OPERATING REVENUES		
Local service	\$ 8,876,040	\$ 8,277,701
Toll service	7,987,424	6,889,674
Directory advertising and sales	615,338	585,997
Miscellaneous	986,148	879,471
Less provision for uncollectible accounts	57,000*	48,000*
TOTAL OPERATING REVENUES	\$18,407,950	\$16,584,843
OPERATING EXPENSES		
Current maintenance	\$ 2,217,522	\$ 1,941,725
Depreciation	2,540,857	2,291,654
Traffic	1,974,465	1,760,785
Commercial	831,215	757,693
General office	519,637	465,244
Other—Note F	270,305	306,446
Taxes other than federal income taxes	1,893,139	1,743,543
TOTAL OPERATING EXPENSES	\$10,247,140	\$ 9,267,090
OTHER INCOME	\$ 8,160,810	\$ 7,317,753
	114,854	163,180
	\$ 8,275,664	\$ 7,480,933
OTHER DEDUCTIONS		
Interest expense	\$ 853,021	\$ 903,235
Amortization of discount on funded debt	10,021	10,707
	\$ 863,042	\$ 913,942
INCOME BEFORE FEDERAL INCOME TAXES	\$ 7,412,622	\$ 6,566,991
FEDERAL INCOME TAXES—Note E		
Payable for the year	\$ 3,409,974	\$ 3,110,901
Amount equivalent to Investment Credit	129,750	143,546
	\$ 3,539,724	\$ 3,254,447
NET INCOME	\$ 3,872,898	\$ 3,312,544
Net income per share of Common Stock—Note G	\$ 1.25	\$ 1.05

See notes to financial statements.

*Indicates red figure.

NOTES TO FINANCIAL STATEMENTS

The bonds are secured by first mortgage on all telephone plant now owned or hereafter acquired. The Company covenants, while any of such bonds are outstanding, to provide sinking funds by annual payments to the Trustee, in cash or securities, of an amount equal to one per cent of the aggregate principal amount of bonds issued. The Company has the right to substitute 60% of cost or fair value of permanent additions against which additional bonds have not been issued in lieu of cash or securities to meet sinking fund requirements. Sinking fund requirements have been complied with.

Under the terms of the Twelfth Supplemental Indenture dated October 1, 1963, to The First Mortgage Trust Deed, retained income amounting to \$6,902,723 is not restricted for payment of cash dividends on Common Stock.

NOTE E—INVESTMENT TAX CREDIT

Federal income taxes payable have been reduced by

\$129,750 representing the investment credit as provided by the Revenue Act of 1962, and an amount equivalent thereto has been included in other deferred credit.

NOTE F—PENSION PLAN

The Company has a pension plan covering its employees. The total pension contribution for the year, charged to other operating expenses, was \$142,669 which includes amortization of prior service cost over a period of 20 years from 1952. At December 31, 1966, the actuarially computed unfunded portion of past service costs amounted to approximately \$336,000.

NOTE G—PER SHARE DATA

Net income and dividends per common share for 1965 have been restated to reflect the distribution made in 1966 of one new share for each three existing shares.



COMPARATIVE STATEMENTS OF OTHER CAPITAL and RETAINED INCOME

YEAR ENDED DECEMBER 31, 1966 and 1965

	1966	1965
OTHER CAPITAL		
Balance at beginning of year	\$ 3,944,783	\$ 3,440,946
Common Stock distributions:		
Transfer to Common Stock of the aggregate par value of 701,698 shares issued on the basis of one new share for each three existing shares	2,338,994*	
Excess of market value of shares issued over the par value thereof for a 1% dividend		503,837
Balance at end of year	\$ 1,605,789	\$ 3,944,783
RETAINED INCOME		
Balance at beginning of year	\$ 8,015,305	\$ 7,296,330
Add net income for the year	3,872,898	3,312,544
	\$11,888,203	\$10,608,874
Deduct:		
Cash dividends declared:		
5% Preferred Stock—\$5.00 a share	\$ 225,353	\$ 222,433
4½% Preferred Stock—\$4.50 a share	90,007	90,007
4¼% Preferred Stock—\$4.25 a share	51,000	51,000
Common Stock—1966—\$.65 a share; 1965—\$.5625 a share—Note G	1,824,683	1,579,156
	\$ 2,191,043	\$ 1,942,596
Common Stock distributions:		
Market value of common shares issued to effect a 1% stock dividend	\$ —0—	\$ 564,137
Cash paid in lieu of fractional shares	5,587	86,836
	\$ 5,587	\$ 650,973
	\$ 2,196,630	\$ 2,593,569
Balance at end of year	\$ 9,691,573	\$ 8,015,305

*Indicates red figure.

See notes to financial statements.

AUDITORS' REPORT

BOARD OF DIRECTORS
NORTHERN OHIO TELEPHONE COMPANY
BELLEVUE, OHIO

We have examined the balance sheet of Northern Ohio Telephone Company as of December 31, 1966, and the related statements of income, other capital, and retained income for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying balance sheet and statements of income, other capital, and retained income present fairly the financial position of Northern Ohio Telephone Company at December 31, 1966, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

ERNST & ERNST

Cleveland, Ohio
February 24, 1967



STORY OF STATISTICS

In 1966 our revenues reflected the substantial increase in telephone stations and in toll revenue and reached a new record total of \$18,407,950.24, up 11.0 per cent from 1965. Included in this amount were increases of \$577,057.12 in subscriber station revenues and \$1,097,750.63 in toll revenues. Private line, pay station and other revenues were \$1,717,546.44, up \$157,299.88 from last year. Other income decreased \$48,326.90 due to liquidation of certificates of deposit required for capital additions. Operating revenues were \$119.82 per telephone in 1966 as compared to \$114.51 in the previous year.

Our expenses were also higher. Total operating expenses for 1966 were \$5,813,144.05, an increase of \$581,250.74. Maintenance expense was \$2,217,522.09 up \$275,796.83; Traffic expense amounted to \$1,974,464.72, up \$213,679.75; Commercial expense was \$831,214.99 up \$73,522.11; General Office expenses were \$519,637.00, up \$54,393.30; All other expenses were \$270,305.22, a decrease of \$36,141.28. Increased operating expenses were due primarily to a general increase in wage rates paid employees and the addition of plant and traffic personnel to properly handle the increased work load. At year end we employed 351 men and 662 women,—an increase of 100 employees. Total wages paid employees during 1966 amounted to \$4,425,464.00.

Provision for depreciation of plant in service, set aside from operating revenue during the past year, totaled \$2,540,857.07, or \$249,202.72 more than for 1965, by reason of the increase in total telephone plant. The composite depreciation rate for Federal Income Tax purposes was 4.33 per cent.

Taxes continue to be one of our largest items of expense, amounting to \$5,432,862.96 in 1966 as compared with \$4,997,989.58 in 1965. This represents an increase of 8.7 per cent over the preceding year. Total taxes paid in 1966 for each telephone in service amounted to \$35.36 and was equal to \$1.93 for each share of common stock. The several and various taxes paid (exclusive of Federal Excise Taxes) were 1.4 times the total amount of our net income.

The reduction of the Federal Excise Tax to 3 per cent on telephone service January 1, 1966 was of short duration and was again increased to 10 percent on April 1, 1967. In 1966 we collected from our customers \$1,361,624.69 for this tax, which tax we consider highly discriminatory. Telephone service is not a luxury and no similar tax is applied to other utilities. At this time, however, it appears this "temporary" tax due to be reduced to one percent April 1, 1968 could very well become a permanent part of the cost of telephone service unless you make your views known to your Congressional Representatives.

Changes in the Federal Social Security Law also increased taxes in 1966 and another increase is scheduled for 1967. In 1965 there was deducted from the employee 3.625 per cent of the first

\$4,800.00 of annual earnings. In 1966 the rate was 4.2 percent of the first \$6,600.00. The projected deduction rate for 1967 is 4.4 percent of the first \$6,600.00 earned. Northern Ohio Telephone Company is required to match the amount deducted from employees. The company's payment in 1966 amounted to \$179,199.37.

Net income for 1966 available for interest, dividends, other fixed charges and retained earnings amounted to \$4,735,940.19, an increase of \$509,453.92 over 1965. Interest on outstanding Bonds and other fixed charges amounted to \$863,041.90, leaving net income of \$3,872,898.29 available for preferred and common stock dividends, and re-invested earnings. This compares with \$3,312,544.08 in 1965.

Dividends on Preferred Stock amounted to \$366,359.79, leaving \$3,506,538.50 for Common Stock dividends and retained earnings.

The 1966 earnings on Common Stock outstanding December 31, 1966 was \$1.25 per share compared with \$1.05 per share earned in 1965, equated for the stock distribution in 1966 of one share for each three shares with a par value of \$3.33-1/3 per share.

Dividends paid in the year 1966 on the Common Stock based on the number of shares outstanding at the year end amounted to 63½ cents per share.

Telephones gained thru internal growth in 1966 were 8,558 which increased total stations in service at year end to 157,908, all fully automatic. Seven of our nine toll centers provide subscriber toll dialing to 86 percent of our subscribers and DDD will be available by the end of 1967 to all of our subscribers.

As of December 31, 1966 the total investment in telephone plant was \$63,438,104.36, (including \$949,631.56 in telephone plant under construction) which is \$401.74 for each telephone in service. Gross plant additions for the year amounted to \$6,374,995.38. Plant retired during the year amounted to \$1,216,800.48, making net additions for the year of \$5,158,194.90. The principal net additions to plant were \$2,054,938.33 for central office equipment; \$704,430.22 for subscriber station equipment; \$1,480,734.10 for underground and aerial cables and \$134,941.38 for land and new buildings, or additions to present buildings.

Our capital structure continues to be both conservative and strong with 39.9 per cent in Bonds, 16.4 per cent in preferred stock and 43.7 per cent represented by Common Stock and retained earnings. No new financing was required in 1966. However, additional funds to continue our aggressive program of plant additions and improvements to adequately meet ever increasing service requirements will be necessary in 1967. Under present interest conditions temporary borrowing appears most advantageous. We have available more than twenty four million dollars in uncanceled net additions as security for bonds and satisfaction of sinking fund requirements.



LOOKING AHEAD IN 1967



Bellevue District Advance Planning Meeting

The year 1967 promises to be one of increasing activity. A number of major service improvements are programmed including the introduction of Direct Distance Toll Dialing and Premium Ticketing at Galion and Crestline. Premium Ticketing makes it possible for customers to dial directly not only station-to-station calls but person-to-person, credit card and collect calls as well. Also programmed for 1967 is the introduction of PPCS at Bowling Green and its tributary exchanges. Direct Distance Dialing for telephone subscribers in the Genoa District will be made available by combining this Toll Center with Port Clinton in September of this year.

The addition to the Norwalk building is well underway and will house additional central office equipment and provide more storage and garage

space for this District headquarters.

A new Cross Bar exchange will be installed at Bellevue as soon as a substantial addition to our General Office Headquarters building now under construction, is completed. New automatic exchanges will also be placed in service at Valley City, Creston and Kelley Island. Additions to present automatic central office equipment is on order to provide for additional service at each of our sixty eight exchanges. More than 400 additional local and Bell toll circuits and Extended Area trunks have been programmed to provide for increased traffic.

A program to upgrade party line service to individual or two party service in town and maximum five party service in the rural areas will require larger capital additions than in any previous year.



Norwalk
District
Advance
Planning
Meeting



TEN YEAR FINANCIAL REVIEW

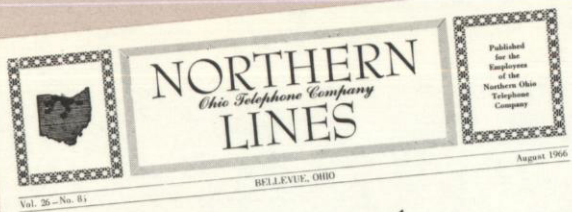
Northern Ohio

Fiscal Year	1966	1965	1964
Operating Revenues	\$18,407,950	\$16,584,843	\$15,016,876
Operating Expenses	10,247,140	9,267,090	8,676,563
Operating Income before Federal Income Taxes	8,160,810	7,317,753	6,340,313
Other Income	114,854	163,180	265,571
Fixed Charges—Interest and Other	863,042	913,942	950,923
Income before Federal Income Taxes	7,412,622	6,566,991	5,654,957
Provision for Federal Income Taxes	3,539,724	3,254,447	2,833,613
Net Income for the Year	3,872,898	3,312,544	2,821,344
Preferred Stock Dividends	\$ 366,360	\$ 363,440	\$ 361,803
Net Income Available for Common Stock	3,506,538	2,949,104	2,459,537
Common Stock Dividends	1,830,270	2,230,129	2,043,504
Retained Earnings	1,676,268	718,975	416,033
Net Income per Common Share	(a) \$1.25	\$1.40	\$3.54
Dividends per Common Share	(a) .635	.581 + 1% Stk	1.60 + 2%
Per Cent Earned on Book Value of Plant	6.11%	5.75%	5.24%
Times Preferred Dividend Requirements Earned	10.6	9.1	7.8
Cash Dividend Requirements Earned	2.0	1.9	2.1
Total Telephone Plant	\$63,438,104	\$57,582,752	\$53,793,858
Reserve for Depreciation	13,477,757	11,711,393	10,179,851
Net Telephone Plant	49,960,347	45,871,359	43,614,007
Capitalization:			
Funded Debt—First Mortgage Bonds	\$18,900,000	\$18,900,000	\$21,652,000
Preferred Stock	7,720,800	7,661,400	7,622,900
Common Stock and Surplus	20,659,040	18,983,590	17,699,851
Total Capitalization	47,279,840	45,544,990	46,974,751
Number of Common Shares Outstanding at Year-End	2,807,239	2,105,541	695,817
Number of Telephones at Year-End	157,908	149,350	140,324
Number of Common Stockholders at Year-End	2,362	2,206	2,086
Number of Employees at Year-End	1,013	913	893

(a) Reflects one for three stock distribution in 1966.

Telephone Company

1963	1962	1961	1960	1959	1958	1957
3,304,862	\$13,270,945	\$12,148,446	\$11,441,595	\$10,533,194	\$ 9,508,391	\$ 7,938,708
2,319,649	7,735,820	7,002,540	6,471,615	6,566,429	5,598,943	5,104,445
5,985,213	5,535,125	5,145,906	4,969,980	3,966,765	3,909,448	2,834,252
63,148	39,515	43,239	13,517	28,029	2,666	2,609
728,952	676,091	592,205	510,355	502,396	410,280	265,434
\$,319,409	4,898,549	4,596,940	4,473,142	3,492,398	3,501,834	2,571,427
2,754,947	2,527,810	2,392,459	2,259,010	1,790,615	1,777,041	1,323,328
2,564,462	2,370,739	2,204,481	2,214,132	1,701,783	1,724,793	1,248,099
360,011	\$ 358,029	\$ 345,416	\$ 335,050	\$ 308,389	\$ 275,309	\$ 265,521
2,204,451	2,012,710	1,859,065	1,879,082	1,393,394	1,449,484	982,578
794,461	1,459,567	1,110,634	1,053,472	948,125	758,781	674,784
409,990	553,143	748,431	825,610	445,269	690,703	307,794
17	\$2.89	\$2.67	\$3.57	\$2.65	\$2.75	\$2.33
57 + 2% Stk	1.54 + 1% Stk	1.52 + 25% Stk	2.00	1.80	1.60 + 25% Stk	1.60
09%	5.04%	4.96%	5.54%	4.71%	5.23%	4.17%
1	6.6	6.4	6.6	5.5	6.3	4.7
0	1.9	1.8	1.8	1.5	1.9	1.5
9,396,954	\$46,987,901	\$44,455,718	\$40,001,250	\$36,156,267	\$32,976,403	\$29,958,014
8,681,558	7,486,939	6,626,752	5,341,551	4,443,006	3,534,564	3,378,798
7,715,396	39,500,962	37,828,966	34,659,699	31,713,261	29,441,839	26,579,216
6,652,000	\$15,652,000	\$15,652,000	\$12,152,000	\$12,152,000	\$ 9,152,000	\$ 9,152,000
5,596,000	7,560,800	7,514,500	7,113,200	7,024,700	6,389,100	5,704,400
4,452,017	15,391,122	14,503,042	13,390,371	12,564,454	12,119,069	11,444,556
3,700,017	38,603,922	37,669,542	32,655,371	31,741,154	27,660,169	26,300,956
683,063	670,531	664,803	526,736	526,736	526,736	421,740
135,440	129,852	125,214	118,651	113,616	108,547	104,427
2,054	2,048	2,017	1,923	1,912	1,832	1,796
879	903	883	838	830	819	825



Sesquicentennial



Always A Welcome Visitor ...



NORTHERN OHIO TELEPHONE COMPANY
Lines
SEPTEMBER, 1964

Hundreds of times each month our Company bring telephones to you. Maybe you are a newcomer and it is new telephone. You'll find they are interested and glad you in selecting the service best adapted to you. We are proud of these men and you will fit well qualified to help you.

NORTHERN OHIO TELEPHONE COMPANY

FOR YOUR TELEPHONE CONVENIENCE 1967



Employees Manual



Northern Ohio Telephone Company

Direct Distance Dialing



Everybody

has **2** jobs

NORTHERN OHIO TELEPHONE COMPANY

"Julie, it is simply unbelievable ... I dialed through to mother and we were talking in less time than it takes to tell".
She's right. Direct Distance Dialing is a miracle across the wire ... and money.

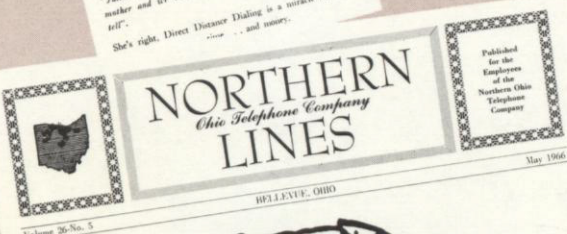
CUSTOMER RELATIONS

The words "Customer Relations" cover a vast range of activities. Our most frequent contact with our customers is the service our long distance operators render and the calls made by our telephone inspectors to correct infrequent service difficulties. We train our employees to make their customer contacts polite, courteous and factual.

When we introduce DDD or any other new service we provide brochures, special advertising and our commercial representatives meet with school and civic groups, Service and other organizations to instruct them in the new services.

Our Department of Public Relations provides speakers, films and programs to Service and other group organizations, and educational material to students, particularly at the grade school level. We encourage our employees to be active in community service groups and in the political and civic life of their communities. Telephone employees should be good citizens always.

A healthy, progressive growing Company with adequate earnings, is of maximum value to its customers, employees and the entire community in which it provides a valuable and essential service.



PLAN OF RETIREMENT BENEFITS

for Employees of



NORTHERN OHIO TELEPHONE COMPANY

Effective January 1, 1952
As Amended and in Effect January 1, 1958
1963 Edition

NORTHERN OHIO TELEPHONE COMPANY
Lines
OCTOBER, 1964



Our Record ...
The Northern Ohio Telephone Company has long been recognized as one of the leaders in the field of telephone service. In 1964, all of our employees were given a 10% raise. This is a record for the telephone industry. We will continue to give you the best service we can.

WHAT'S YOUR TELEPHONE WORTH?

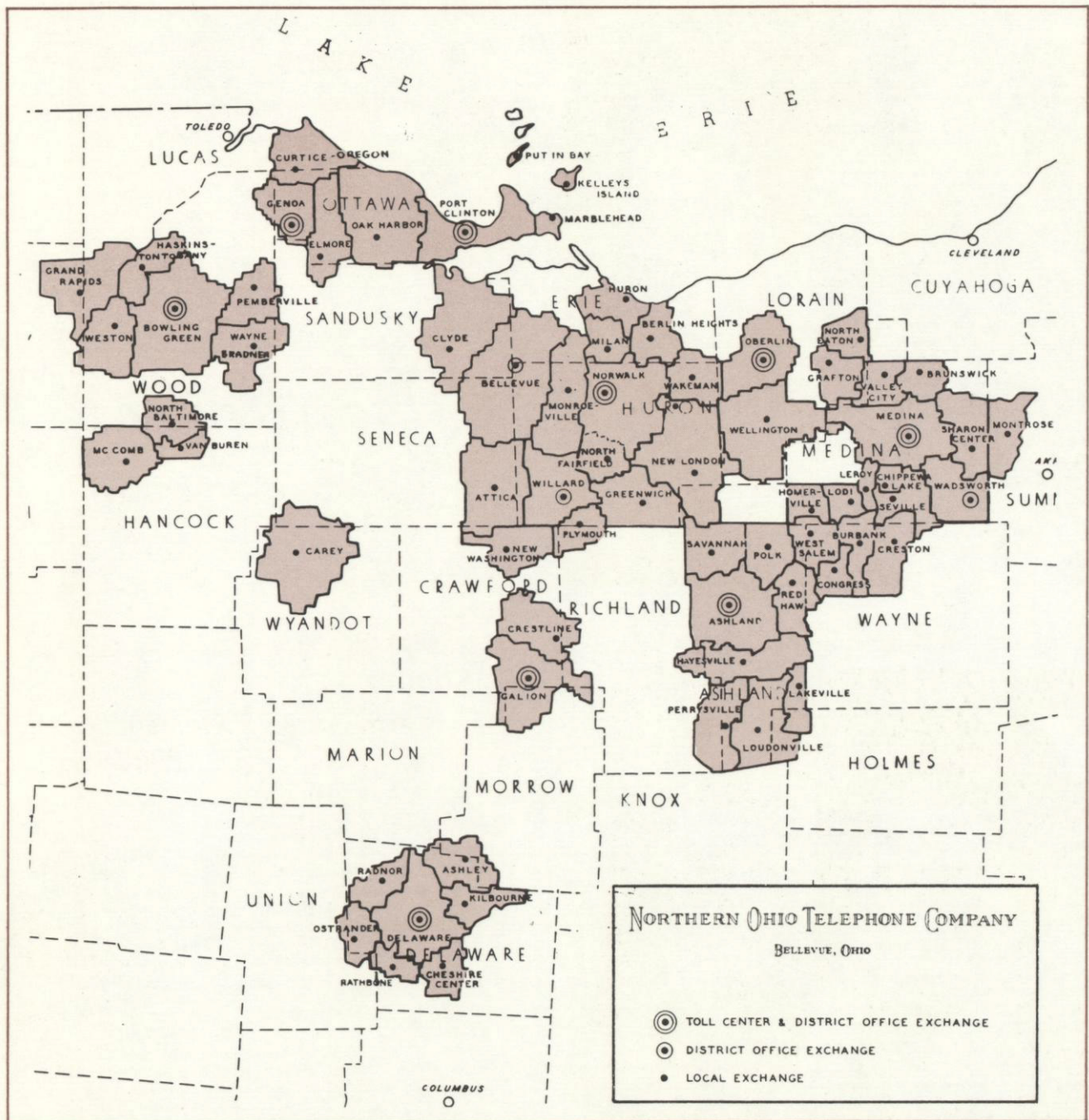
Selling Our Service



Sometimes it's difficult to put a price on your telephone. Like the time your youngster needs a doctor in a hurry. Very often the peace of mind you get from a telephone call is as valuable as the help it brings. Whether you are making an emergency call or having a friendly chat with your neighbor, you can depend on your telephone to provide service whenever you need. Can you imagine trying to get along without it?

NORTHERN OHIO TELEPHONE COMPANY

AREA SERVED BY NORTHERN OHIO TELEPHONE COMPANY



157,908 TELEPHONES AS OF DECEMBER 31, 1966



New Wall Starlight Telephone



New Flush Mounted Telephone



NORTHERN OHIO TELEPHONE COMPANY

EXCHANGE	TELEPHONES JAN. 1, 1967
*Ashland	11,828
*Ashley	738
*Attica	980
*Bellevue	5,737
*Berlin Heights	648
*Bowling Green	9,153
*Brunswick	4,670
*Burbank	317
Carey	1,973
*Cheshire Center	680
*Chippewa Lake	606
*Clyde	3,657
*Congress	370
*Creston	821
Crestline	3,176
Curtice-Oregon	3,017
*Delaware	9,110
Elmore	1,606
Galion	8,774
Genoa	1,876
*Grand Rapids	801
*Grafton	1,049
*Greenwich	1,000
*Haskins-Tontogany	656
*Hayesville	1,300
*Homerville	161
*Huron	3,321
Kelley Island	158
*Kilbourne	371
*Lakeville	199
*Leroy	547
*Lodi	1,700
*Loudonville	1,982
*Marblehead	1,273
McComb	1,001
*Medina	8,676
*Milan	1,317
*Monroeville	1,104
*Montrose	5,559
*New London	2,041
New Washington	810
*North Baltimore	1,388
*North Eaton	1,524
*Norwalk	8,503
*Oak Harbor	2,682
*Oberlin	5,485
*Ostrander	431
*Pemberville	916
*Perrysville	850
*Plymouth	1,064
*Polk	368
*Port Clinton	6,750
Put-In-Bay	324
*Radnor	247
*Rathbone	583
*Red Haw	360
*Savannah	462
*Seville	834
*Sharon Center	1,205
*Valley City	728
Van Buren	322
*Wadsworth	7,883
*Wakeman	644
*Wayne-Bradner	1,170
*Wellington	2,860
*Weston	905
*West Salem	569
*Willard	4,088

157,908

*Exchanges with Direct Distance Dialing



**NORTHERN OHIO
TELEPHONE COMPANY**